

## Message Text

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PAGE 01 STATE 244917

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ORIGIN OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 AGR-05 AID-05

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P 151952Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: ADM INTERNATIONAL S.A. - 512-74-276

REF: BRASILIA 7698

1. CENTRAL BANK REFUSAL TO ISSUE FGAS FOR THE ARCHER DANIELS MIDLAND (512-74-276) AND UNIVERSAL LEAF TOBACCO (512-75-142) PROJECTS COMES SOMEWHAT AS A SURPRISE. UNIVERSAL LEAF TOBACCO HAS INFORMED US OF THEIR INTENTION TO RESUBMIT THE FGA APPLICATION WITH A REWORKED PRESENTATION. ADM INFORMS US THAT THEY ARE SEEKING TO DETERMINE THROUGH THEIR LOCAL ATTORNEYS WHAT WENT WRONG WITH THE FGA APPLICATION.

2. OPIC WILL BE REQUIRED TO DISCUSS ITS POLICIES WITH RESPECT TO SUPPORT OF AMERICAN JOINT VENTURES IN AGRIBUSINESS IN MINAS GERAIS AT AN AGRIBUSINESS DEVELOPMENT PROGRAM BEING HELD BY THE AGRIBUSINESS COUNCIL IN NEW YORK ON OCTOBER 20 AND 22. TO PREPARE FOR THESE MEETINGS, OPIC WISHES TO BE AS CLEAR AS POSSIBLE ON THE REASONS FOR THE LIMITED OFFICIAL USE

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PAGE 02 STATE 244917

FGA REJECTIONS AND THE CRITERIA THE CENTRAL BANK APPLIES

IN ITS ASSESSMENT OF AGRIBUSINESS PROJECTS. IN PARTICULAR, OPIC NEEDS TO KNOW WHETHER THE FGA REJECTIONS MAY SIGNAL A MORE GENERAL GOB POLICY CHANGE IN THE AGRIBUSINESS AREA. OPIC WOULD APPRECIATE AN EMBASSY INQUIRY INTO THE MATTER WITH APPROPRIATE GOB OFFICIALS.

3. IN SEEKING SUCH CLARIFICATION, EMBASSY MAY DRAW UPON THE FOLLOWING POINTS: (A) OPIC HAS BEEN INVOLVED THROUGH THE AGRIBUSINESS COUNCIL IN NEW YORK WITH AN ACTIVE AGRIBUSINESS DEVELOPMENT PROGRAM. THIS PROGRAM WAS, IN PART, CARRIED OUT WITH THE COOPERATION OF THE INDI ORGANIZATION IN MINAS GERAIS, AND INDEED, ADM INTERNATIONAL WENT TO BRAZIL PARTIALLY AT OPIC'S SUGGESTION. INDI, AT ITS OWN EXPENSE, DID CONSIDERABLE SURVEY WORK FOR ADM IN THE SOYBEAN FIELD. IT WAS THIS INTRODUCTION TO BRAZIL THAT RESULTED IN ADM'S EVENTUAL DECISION TO ACQUIRE AN INTEREST IN A SOY FLOUR PLANT IN NORTHERN SAO PAULO. (B) OPIC SUPPORT OF BRAZILIAN AGRIBUSINESS DEVELOPMENT, PARTICULARLY AT THE PRE PROJECT STAGE, DEPENDS ON THE GOVERNMENT'S WILLINGNESS TO PERMIT OPIC TO PARTICIPATE, THROUGH INSURANCE AND/OR FINANCING, IN THE PROJECTS WHICH RESULT FROM THESE EFFORTS. (C) OPIC ASSUMES THAT THE ISSUE IS WHETHER OR NOT OPIC INSURANCE IS APPROVED RATHER THAN WHETHER OR NOT THE INVESTMENT ITSELF IS APPROVED. IN THAT REGARD, IT SHOULD BE NOTED THAT ADM'S INAUGURATION IN BRAZIL IS FOR THEM MERELY A FIRST STEP TO BEING FULLY INTEGRATED IN THE COUNTRY. AS ONE OF THE LEADING, IF NOT THE LEADING, SOYBEAN COMPANY IN THE UNITED STATES, ADM'S INVOLVEMENT IN BRAZIL SHOULD BE HIGHLY DEVELOPMENTAL.

4. ADM BELIEVES THE CENTRAL BANK HAS UNDERESTIMATED THE POSITIVE DEVELOPMENTAL BENEFITS OF THE PROJECT. THE FOLLOWING INFORMATION WHICH ADM INTENDS TO USE IN PURSUING THE MATTER WITH BRAZILIAN AUTHORITIES MAY BE OF USE TO THE EMBASSY ALSO: (A) ADM PURCHASED AN EXISTING OIL SEED PROCESSING PLANT THAT HAD BEEN IDLE FOR 18 MONTHS. THEY HAVE RECONDITIONED AND EXPANDED THE FACILITY WITH THE INTENTION OF CONVERTING IT TO AN ENTIRELY EDIBLE PRODUCTS OPERATION. (B) THE EXISTING PLANT PRODUCES MEAL FOR LIMITED OFFICIAL USE

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PAGE 03 STATE 244917

ANIMAL AND POULTRY FEED ONLY. ADM'S INTENTION IS TO CONVERT THIS FOR HUMAN CONSUMPTION BY MANUFACTURING ADM'S BRAND OF TEXTURED VEGETABLE PROTEIN AND SOY FLOUR. THIS IS A PATENTED PRODUCT AND VIRTUALLY ALL OF THE WORLD'S MANUFACTURE OF THE PRODUCT IS UNDER ADM LICENSE. SINCE NO FOOD PRODUCT PATENTS ARE ALLOWED IN BRAZIL, HOWEVER, THEY DO NOT HAVE PATENT PROTECTION THERE. ADM NONETHELESS DID OFFER TO TAKE THEIR TECHNOLOGY TO BRAZIL FREE OF

ROYALTY ON "KNOW HOW" BECAUSE OF THE TREMENDOUS NEED FOR THIS PRODUCT IN THE COUNTRY. (C) SOY FLOUR IS AN EXAMPLE OF ADM'S TECHNOLOGICAL IMPORT INTO BRAZIL. ALTHOUGH ONE LOCAL PRODUCER IS NOW MANUFACTURING THE PRODUCT, IT HAS NOT HAD MARKET ACCEPTANCE BECAUSE OF LACK OF KNOWLEDGE OF ITS CORRECT USE. IN THAT REGARD, ADM HELD A DINNER LAST OCTOBER FOR AGRICULTURAL MINISTER PAULINELLI AND 200

MILITARY AND GOVERNMENT OFFICIALS AT WHICH THEY WERE SERVED BRAZILIAN DISHES PREPARED FROM ADM SOY FLOUR; THESE DISHES WERE WELL RECEIVED AND PAULINELLI HAS BEEN MOST HELPFUL IN GETTING THE ADM PROJECT OFF THE GROUND. (D) SUPPORT FROM OTHER SECTORS OF THE GOVERNMENT HAS BEEN MANIFESTED BY THE FACT THAT ADM HAS BEEN GRANTED A TWO HUNDRED FIFTY THOUSAND DOLLAR SUBSIDY BY CDI IN THE FORM OF RELIEF FROM IMPORT DUTIES AND TAXES ON THE MACHINERY NECESSARY FOR MANUFACTURE OF THE ADM PATENTED PRODUCT. FURTHER LOCAL SUPPORT HAS BEEN EVIDENCED BY THE MAYOR OF ARARAQUARA'S PRAISE OF THE PROJECT WHICH WILL CREATE 150 NEW JOBS WHEN THE PLANT OPENS. (E) FINALLY, ADM, ALTHOUGH IT HAS POINTED OUT THE EXPORT POSSIBILITIES, BELIEVES THAT THE MARKET REQUIREMENT OF BRAZIL FOR THEIR PRODUCT WILL PROBABLY MAKE ANY EXPORT VERY UNLIKELY.

5. WE WOULD APPRECIATE ANY CLARIFICATION YOU ARE ABLE TO OBTAIN IN TIME FOR USE AT THE AGRIBUSINESS COUNCIL MEETING, I.E. BY THE END OF THIS WEEK. INGERSOLL

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